on any LEC requests for nondominance, including SNET's Petition. It would make no sense for the Commission to render decisions about each of these similar requests, only to find down the road that it had unintentionally backed into a jerry-built policy as to LEC interexchange services that was inconsistent with the criteria and procedures to be set forth in the Price Cap Performance Review proceeding.

Furthermore, the recently passed telecommunications legislation, the Telecommunications Act of 1996 (1996 Act), also supports a deferral of SNET's Petition. Section 401 adds a new Section 10 to the Communications Act of 1934, 47 U.S.C. §§ 151 et seq., which requires the Commission to

> forbear from applying any regulation or any provision of this Act to a telecommunications carrier or telecommunications service, or class of ... carriers or ... services ... if ... -
> (1) enforcement of such regulation or provision is not necessary to ensure that the charges, practices, classifications, or regulations by, for, or in connection with that ... carrier or ... service are just and reasonable and are not unjustly or unreasonably discriminatory;
> (2) enforcement of such regulation or provision is not necessary for the protection of consumers; and
> (3) forbearance from applying such provision or regulation is consistent with the public interest.

In making the public interest determination under subsection (3), the Commission "shall consider whether forbearance ... will promote competitive market conditions ...."

Given the pendency of four BOC and LEC requests for nondominant treatment, it is likely that any consideration of such requests will be considered in the context of a forbearance proceeding as to one or more categories of LEC interexchange services conducted pursuant to this provision. It would make no sense to address SNET's request, as well as the three other pending requests for nondominant status, individually in advance of such a wide-ranging, generic forbearance review. In order not to create arbitrarily inconsistent policies, the Commission, if it were to rule on SNET's Petition now, would have to anticipate the precise contours of the regulatory scheme for LEC interexchange services that the Commission might put into place in a generic forbearance review, so that the regulatory treatment of SNET's interexchange services would not be inconsistent with the subsequent regulatory scheme that might govern all LEC interexchange services. That would be an impossible task.

The risk of inconsistent treatment arising from the individual consideration of pending LEC nondominant status requests, especially SNET's request, is exacerbated by the current proceeding addressing the possible nondominant treatment of BOC out-of-region interexchange services (BOC Out-of-Region).[17/] There, the Commission has proposed that such services be granted nondominant treatment only on condition that they are

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[17/] Notice of Proposed Rulemaking, Bell Operating Company Provision of Out-of-Region Interstate, Interexchange Services, FCC 96-59, CC Docket No. 96-21 (released Feb. 14, 1996).

offered through separate affiliates. SNET's request for nondominant treatment for in-region interexchange services offered on an unseparated basis thus raises the distinct possibility of inconsistent regulatory policies. Although independent LECs historically have been treated differently from BOCs to some extent under Competitive Carrier, the Commission has never created such a wide regulatory gulf between them as would result if SNET's request were granted and the Commission adopted its tentative conclusions in the BOC Out-of-Region proceeding.[18/]

In-region interexchange services offered by an entity with local bottleneck power clearly raises a much greater threat of cross-subsidies and discrimination than out-of-region interexchange services offered by the same entity, and that threat is magnified where such services are offered on an unseparated basis.[19/] It would therefore be irrational to grant SNET, or any LEC, nondominant treatment for unseparated in-region interexchange services while requiring BOCs to provide out-of-region interexchange services through a separate affiliate in

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[18/] Such divergent policies toward LEC and BOC interexchange services would also conflict with SNET's suggestion (SNET Pet. at 6 n.16) that its interexchange services should be regulated no less stringently than BOC interexchange services. That suggestion also raises the further issue of possible inconsistency between SNET's requested relief and all of the requirements that will be imposed under the regulatory scheme that the Commission will put into place for BOC interexchange services in response to Section 151 of the new legislation.

[19/] Fourth Report, 95 FCC 2d at 575-79; Fifth Report, 98 FCC 2d at 1195-1200.

order for such services to be accorded nondominant treatment.

The Commission accordingly should defer any action on SNET's request until the conclusion of the BOC Out-of-Region proceeding and the current phase of the Price Cap Performance Review proceeding, as well as any LEC industry-wide forbearance proceeding conducted pursuant to the new legislation. The Commission should not risk boxing itself into undesirable industry-wide regulatory policies by granting relief in individual cases before it has had a chance to consider the broader implications of such relief.

II. SNET HAS NOT DEMONSTRATED THAT INTEREXCHANGE SERVICES IT PROVIDES ON AN UNSEPARATED BASIS SHOULD BE ACCORDED NONDOMINANT TREATMENT

A. The LECs' Local Bottleneck Control Requires Dominant Status for Their Unseparated Interexchange Services

Not only would it be inappropriate to entertain SNET's request at this time, but the request would also have to be denied if the Commission were to address its merits. Notwithstanding the regulatory developments SNET discusses, it still enjoys overwhelming bottleneck control over the local network, which can readily be brought to bear against interexchange competitors.

As the Commission explained in the First Report:

> An important structural characteristic of the marketplace that confers market power upon a firm is the control of bottleneck facilities. A firm

> controlling bottleneck facilities has the ability to impede access of its competitors to those facilities.... We treat control of bottleneck facilities as prima facie evidence of market power requiring detailed regulatory scrutiny.[20/]

The reason for the Commission's approach is obvious. As set forth in Competitive Carrier, the BOCs' and other LECs' local bottleneck power would allow them to discriminate against competitors dependent upon access to the local network and to shift costs.[21/] That advantage is not diminished by the happenstance of a small LEC market share in the competitive service for which network access is needed. The BOCs and other LECs could always argue (and do argue) that they start off in any new competitive market with a share of zero. That hardly indicates a lack of market power, however, given their local bottleneck control.

Separation of a LEC's interexchange operations from the LEC's network facilities helps to minimize cross-subsidization and access discrimination against competing interexchange carriers (IXCs).[22/] The Commission emphasized that any entity, including LECs, providing unseparated services with mixed characteristics (i.e., some services in which the carrier is dominant and some in which it is nondominant), will be regulated

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[20/] First Report, 85 FCC 2d at 21, ¶ 58 (emphasis added).

[21/] First Report, 85 FCC 2d at 21-22; Fifth Report, 98 FCC 2d at 1195-99.

[22/] Fourth Report, 95 FCC 2d at 575-79; Fifth Report, 98 FCC 2d at 1195-1200.

under the more stringent standard.[23/] Thus, any LEC services, including interexchange services, provided on a joint basis with the LEC's local exchange services must be treated as dominant.

B. SNET Retains its Local Bottleneck Power and the Incentive to Use it Anticompetitively

SNET argues that regulatory and competitive developments since Competitive Carrier have weakened its bottleneck control and that, in any event, its supposedly small relative size and the existence of well-established interexchange competitors effectively stifle any incentive to use any remaining bottleneck control anticompetitively. Closer examination reveals, however, that these developments either have had no impact on SNET's local dominance or, at most, hold only a promise of a future loosening of its local bottleneck control. Moreover, SNET is certainly large enough to make it worthwhile to try to leverage its bottleneck power into the interexchange market.

1. This Commission's Regulations Have Not Weakened SNET's Dominance

SNET points to the cost allocation rules as a bulwark against cross-subsidization and the price cap rules as a disincentive to cross-subsidize. The cost allocation rules, however, have fallen short, as demonstrated by the results of recent LEC audits carried out by federal and state authorities.

[23/] Fourth Report, 95 FCC 2d at 579.

For example, in April 1994, the Commission and the GTE Telephone Companies (GTOCs) entered into a Consent Decree settling issues arising out of an audit of the transactions between the GTOCs and two of their nonregulated affiliates. The audit revealed that the nonregulated affiliates achieved excessive rates of return in their sales of services to the GTOCs and that the resulting excessive costs to the GTOCs were passed on to ratepayers. The terms of the Consent Decree required the GTOCs to file rate reductions, make a contribution to the United States Treasury and undertake other remedial actions.[24/] Similar findings as to excessive nonregulated affiliate earnings were made in an earlier audit of transactions between BellSouth Corporation's operating companies and a nonregulated subsidiary.[25/]

A month after the GTOC Consent Decree was entered, the Commission released a federal-state joint audit examining transactions between Southwestern Bell Telephone Company (SWBT) and various of its affiliates, including its parent, Southwestern Bell Corporation (SBC). The audit report found a lack of supporting documentation for time charged by SBC employees for work done for SWBT, use of an improper marketing allocator and

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[24/] Consent Decree Order, The GTE Telephone Operating Companies, AAD 94-35, FCC 94-15 (released April 8, 1994).

[25/] BellSouth Affiliate Transaction Audit: Summary of Audit Findings (undated). See BellSouth Corporation, et al., AAD 93-127, FCC 93-487 (released Oct. 29, 1993).

improper use of the general allocator. The report also found that certain services provided by SBC to SWBT were improperly charged at a prevailing company rate that did not reflect actual costs. The Commission accordingly issued an Order to Show Cause why SWBT should not be found to have violated the affiliate transaction and cost allocation rules and appropriate enforcement action taken.[26/]

Subsequently, the Commission entered into a Consent Decree settling issues arising out of a joint federal-state audit of the transactions between the Ameritech Operating Companies (AOCs) and their affiliate, Ameritech Services, Inc. (ASI). The Joint Audit Report concluded that ASI failed to provide adequate documentation to support the assignment of many costs to the AOCs and other affiliates. The Report also alleged that certain misclassifications of costs by ASI resulted in overallocation of costs to regulated ratepayers. Under the Consent Decree, ASI agreed to make certain changes in its accounting practices and payments to the United States Treasury and to the states of Ohio and Wisconsin.[27/]

Furthermore, the cost allocation and other accounting rules are only as good as the Commission's willingness and ability to

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[26/] Southwestern Bell Telephone Co., AAD 95-32, FCC 95-31 (released March 3, 1995)(SWB Audit).

[27/] Consent Decree Order, Ameritech, AAD 95-75, FCC 95-223 (released June 23, 1995) (Ameritech Consent Order).

enforce them with sufficient penalties to inhibit future misallocations. That final link in the chain may be the weakest of all. Most recently, the Commission released a summary of its audit of the BOCs' accounting for lobbying costs, which found $116.5 million in misclassified lobbying costs during the period from 1988 through 1991.[28/] Moreover, the inflated access rates resulting from such misallocations were carried over into the LECs' access rates under price cap regulation. In spite of these egregious violations, the Commission failed to take any remedial action for the past ratepayer injuries resulting from these misallocations.[29/] The Commission's failure to take such remedial action confirms the inadequacy of the entire cost accounting regulation and audit function, since the LECs apparently have a "free shot" at any accounting violation they may wish to commit, knowing that the worst that can happen is that someday, if they are caught, they might have to correct such practices only on a going-forward basis.

The cost misallocations, excessive costs and cross-subsidies uncovered by these audits, and the Commission's limp response thereto, thus demonstrate the ineffectiveness of the cost allocation regulations in preventing LEC cross-subsidies between regulated and unregulated services. Since LEC monopoly and

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[28/] Commission Releases Summary of Lobbying Costs Audit Findings, Report No. CC 95-65 (released Oct. 26, 1995).

[29/] See id.

regulated competitive services are more similar to one another than LEC regulated and unregulated services, allocations of costs between monopoly and competitive regulated services are more difficult to audit. Thus, the cost allocation rules, having failed at their primary mission, cannot possibly be relied upon to prevent cross-subsidies between LEC monopoly and regulated competitve services.

That price cap regulation has not dampened the incentive to misallocate costs is shown by the continuation of such behavior under price cap regulation.[30/] Price caps have not, and cannot, remove the incentives and ability to cross-subsidize, since LECs may choose to be subject to sharing each year, which generates incentives to shift costs. The failure of cost allocation and other accounting regulations and price caps to stem such behavior reinforces the need for a separate affiliate for SNET's interexchange services.

SNET also argues that its bottleneck power has loosened on account of the equal access requirements. The MFJ's equal access requirements, however, were never considered to have altered the BOCs' bottleneck control and resulting dominance -- and thus the need for separation between their local exchange operations and

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[30/] See, e.g., SWB Audit, supra, at ¶ 2(audit covered 1989 through 1992); Ameritech Consent Order, supra, Concurring Statement of Commissioner Andrew C. Barrett (audit covered transactions in 1992).

their competitive services[31] -- and SNET has not explained why equal access should make any more of a difference in the case of its interexchange services.

2. The DPUC's Regulatory Policies Have Not Significantly Loosened SNET's Local Bottleneck Power

SNET also points to the DPUC's authorizations of five local exchange and access competitors, as well as this Commission's Expanded Interconnection rules, in support of its claim of nondominance. In fact, however, to MCI's knowledge, all of the competitors that have been authorized to date have a total of just one customer among them. One of the five competitors, MCI Metro -- MCI's local exchange service affiliate -- only just filed its local exchange and intrastate service tariff and has no customers. There is, therefore, not yet any local competition to speak of in SNET's service area. Just how distant significant local competition really is can be seen from the vast disparity between SNET's 143 central offices, as of the end of 1994,[32] and the grand total of one switch that has been installed to date by all of SNET's competitors combined.

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[31] Compare Fifth Report, 98 FCC 2d at 1198, n.23 (need for separate BOC interexchange subsidiary), with BOC Separation Decision, cited therein (Policy and Rules Concerning the Furnishing of Customer Premises Equipment, Enhanced Services and Cellular Communications Services by the Bell Operating Cos., 95 FCC 2d 1117, 1132-36 (1983)(prior order discussing implications of MFJ equal access requirements for BOCs), aff'd sub nom. Illinois Bell Tel. Co. v. FCC, 740 F.2d 465 (7th Cir. 1984)).

[32] FCC Industry Analysis Division, Trends in Telephone Service at Table 13 (February 1995).

SNET discusses the DPUC's requirements of intrastate toll dialing parity and two-carrier presubscription as additional pro-competitive steps that have reduced its dominance. Those are positive steps, but they have only an indirect effect on SNET's ability to leverage its local exchange dominance in the interstate interexchange market, which is the subject of this proceeding. SNET is deprived of a regulatory advantage by these reforms, but it still has the ability and incentive to discriminate against interstate interexchange competitors in ways that are not authorized.

The fragility of the tentative moves toward local competition taken by the DPUC is illustrated by the manner in which SNET has carried out, or failed to carry out, the DPUC local exchange unbundling, resale and interconnection requirements. SNET asserts that it has filed the required tariff for its unbundled local service elements and wholesale local service and that "the DPUC has issued a final decision accepting its tariff with modifications."[33/] Not quite. In fact, the DPUC Decision cited by SNET found that it "has proposed to price its unbundled service elements and wholesale local service offering at rates that in most instances are higher than current retail rates," and that SNET's failure to provide a proper justification for its rates has "jeopardized the evolution of broader market participation in Connecticut and the realization of competitive

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[33/] SNET Pet. at 22.

benefits by the public."[34/]

Accordingly, while the DPUC technically allowed the proposed tariffs into effect, so as not to deprive competitors of the benefits of unbundling, it required substantial reductions in a wide range of the proposed rates on an interim basis until SNET files "an acceptable set of costs and proposals"[35/] -- e.g., a 50% reduction in nonrecurring charges for unbundled ports, unbundled loops and interwire center transport; reductions of 35% to 48% in residential and business wholesale local service recurring charges;[36/] and reductions of 15% to 33% in unbundled local loop recurring charges.[37/] SNET has not yet refiled an acceptable tariff.

Similarly, SNET's proposed interconnection tariff, which is still under review, charges excessive rates and fails to implement the DPUC interconnection requirements order cited by SNET in other ways as well,[38/] thereby nullifying whatever pro-

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[34/] Decision, Application of the Southern New England Telephone Company for Approval to Offer Unbundled Loops, Ports and Associated Interconnection Arrangements, Docket No. 95-06-17 (DPUC Dec. 20, 1995), at 80-81.

[35/] Id. at 84.

[36/] See id. at 83.

[37/] See id. at 84.

[38/] SNET Pet. at 23, n.56, citing Decision, DPUC Investigation Into the Unbundling of the Southern New England Telephone Company's Local Telecommunications Network, Docket No. 94-10-02 (DPUC, Sept. 22, 1995), recon., Decision (DPUC, Jan. 17, 1996).

competitive effect such interconnection hypothetically might have generated. Among the defects discussed by MFS in its comments to the DPUC on SNET's interconnection tariff are the following: SNET's proposed rates for local number portability are way above rates for comparable services charged by other LECs; it imposes a high fee for NXX administration, which is free in many other states; and SNET fails to offer such required features as operator services, two-way trunking and meet point billing provisions, at any price.[39/]

Since the competitive impact of local service unbundling, resale and interconnection depend largely on the rates to be charged therefor, SNET's apparent reluctance to charge reasonable rates for such services or even to offer some required interconnection features, undermines any claim that these regulatory initiatives have led to competitive local service and access markets. Once reasonable rates have been filed and potential competition becomes actual competition, SNET's request may become more realistic.

SNET mentions the DPUC's price cap regulation as another factor reducing its ability to leverage its market power, but it never provides any logical connection between price cap

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[39/] Comments of MFS Intelenet of Connecticut, Inc. at 4-6, 8-9, Application of Southern New England Telephone Company for Approval to Offer Interconnection Services and Other Related Items Associated with the Company's Local Exchange Access Tariff, Docket No. 95-11-08 (DPUC, Jan. 16, 1996).

regulation and reduced market power. SNET may be trying to argue that intrastate price cap regulation reduces its incentive to cross-subsidize, but that simply repeats its argument about this Commission's interstate price cap regulation, which has already been addressed in Part II (B)(1), supra. There is no reason to expect that intrastate price cap regulation will be any more successful than this Commission's price cap regulation in suppressing cross-subsidization.

The irrelevance of all of the factors mentioned by SNET, and its continuing local bottleneck power, are confirmed by its "excess" intrastate earnings, as found in the DPUC's recent Draft Decision in the SNET Alternative Regulation proceeding.[40/] SNET would not be able to achieve "excess" earnings if it no longer had local bottleneck power. This one statistic trumps all of its arguments, and they therefore may be ignored. Reinforcing this conclusion is SNET's failure to seek reclassification for its intrastate switched access service as competitive or emerging competitive.[41/] SNET could hardly have overlooked such a procedural possibility. The only conclusion that can be drawn is

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[40/] Application of the Southern New England Telephone Company for Financial Review and Proposed Framework for Alternative Regulation, Docket No. 95-03-01 (DPUC Jan. 9, 1996), Draft Decision at 135-37 (referring to "Current Excess Earnings").

[41/] See Initial Brief of MCI Telecommunications Corporation at 8-9 (citing SNET pleadings), Application of the Southern New England Telephone Company for Financial Review and Proposed Framework for Alternative Regulation, PHASE II, Docket No. 95-03-01 (DPUC Jan. 31, 1996).

that not even SNET regards intrastate switched access service in its service territory as competitive.

Almost as an afterthought, SNET casually asserts that even apart from the developments that have supposedly reduced its local bottleneck power and market leverage, "market realities" remove any incentive to exercise that leverage in the interexchange market. It argues that since the interexchange market is a single, nationwide market, its ability to exert its local exchange bottleneck power in that market is nullified by the small volume of access services it provides, relative to the total access services provided by LECs nationwide. There are two problems with that argument: SNET is not as small as it claims, and its size is irrelevant.

As pointed out in the introductory discussion, SNET serves a significant market, by any measure. Even a nationwide IXC would be adversely affected by SNET's discrimination or cross-subsidization. Any IXC wanting to offer nationwide service cannot ignore such an important market as Connecticut. Moreover, it must be kept in mind that there is not a nationwide local exchange or access market, in which different LECs compete with one another. Within SNET's service area, it has nearly 100% of the local exchange and access markets, since it has virtually no actual competition yet. The fact that it provides a small volume of access services compared to a BOC that does not compete with

it is meaningless. Its near 100% control of all local and access services in its territory gives it powerful leverage in the interexchange market as to calls originating or terminating in Connecticut, a hefty enough segment to make it worthwhile for SNET to try to exercise its considerable leverage. The Commission was aware at the time of the Competitive Carrier proceeding that many LECs were quite small, but that did not affect the separate affiliate requirement then, and SNET has not shown why its size should become a determinative factor now.

As for SNET's small interexchange market share and the existence of well-established interexchange competitors, those also were not important factors in Competitive Carrier, and they should not be considered important now. The Commission found the LECs dominant in their unseparated offering of interexchange services in spite of their low interstate interexchange market shares.[42/] That is still true.

Finally, SNET's behavior demonstrates that it still has both the ability and the incentive to discriminate against competitors. As pointed out above, SNET has only grudgingly carried out the DPUC's competition policies and has offered competitors the services required by those policies at

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[42/] Compare Fourth Report, 95 FCC 2d at 575 & n.69 (low LEC affiliate interexchange market shares), with Fifth Report, 98 FCC 2d at 1198 (need for separation of LEC interexchange operations from its local exchange network).

unreasonable rates. The wide range of discriminatory techniques at SNET's disposal is also shown by SNET's recent abysmal service provisioning performance (at least with regard to access services ordered by MCI). Whether or not SNET's unacceptable access service provisioning performance has been motivated by its own offering of interexchange service, that performance, together with SNET's foot-dragging in carrying out DPUC competitive requirements, disprove its notion that it has no anticompetitive incentives. Thus, none of the factors proffered by SNET alters the original analysis in Competitive Carrier or provides any support for its claim of nondominance for unseparated interexchange services.

C. The Need for a Strict Imputation Requirement Precludes Nondominant Status

Even apart from the continuing validity of the Competitive Carrier rationale for separate LEC interexchange affiliates, there is another obstacle to nondominant treatment for unseparated LEC within-region interexchange services. The Commission has a long-established policy of requiring the uniform, nationwide application of all switched access charges to the origination and termination of all carriers', including all LECs', interexchange services.[43/] The Commission's imputation policy "promote[s] full and fair competition in [interexchange]

[43/] Application of Access Charges to the Origination and Termination of Interstate, IntraLATA Services and Corridor Services, FCC 85-172 (released April 12, 1985).

markets by ensuring that all carriers [including LECs], when acting as [IXCs], will pay full access charges for...[interexchange] services."[44] In other words, imputation is intended to prevent LECs from subjecting their competitors to a price squeeze by ensuring that their interexchange rates cover their own access charges.[45]

Of course, it has become apparent that imputation, by itself, does not begin to put LECs and IXCs on a level playing field in interexchange markets, since LEC access rates are still way above costs.[46] Excessive access rates allow LECs to extract huge profits from their captive ratebase, the IXCs, while simultaneously keeping the IXCs' costs at an excessive level,

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[44] Id. at ¶ 11. When the Commission announced this rule, it only applied to LEC corridor and interstate intraLATA services, since those were the only interexchange services the LECs were providing at that time. The same principle, of course, would apply to all LEC interexchange services.

[45] Cf. Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport, CC Docket No. 94-97, Phase I, FCC 95-200 (released May 11, 1995), at ¶ 71 (excessive interconnection charges expose competitive access providers to "price squeeze"), pet. for review filed sub nom. Southwestern Bell Telephone Co. v. FCC, No. 95-1351 (D.C. Cir. filed July 13, 1995).

[46] Nationwide, local service charges recover all but about $4 billion of the economic costs of providing local loop and switching services. Meanwhile, interstate carrier common line and local switching charges total about $6.7 billion nationwide, and total intrastate access charges, which consist largely of loop and switching charges, add another $7.1 billion, for total loop and switching access charges equalling about three times the unrecovered economic cost of providing loop and switching. See MCI Comments at 5 & n.8, Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1 (filed Dec. 11, 1995).

thereby giving the LECs a tremendous competitive advantage. Strict imputation rules, however, at least preclude an even greater advantage for the LECs.

In order to implement the Commission's imputation rule, it would have to be possible for the Commission to compare all LEC interexchange rates with the costs of those services, on a service-by-service basis. That, in turn, would require that a LEC file cost support with any interexchange tariff filing to permit the analysis necessary to determine compliance with the imputation requirement. Accordingly, every LEC interexchange tariff filing, whether for SNET's services or otherwise, must include a description of the access services required to provide each interexchange service and the methods and assumptions used in the calculation of the imputation test for each such service, as well as a showing that the calculation was performed in a proper manner.

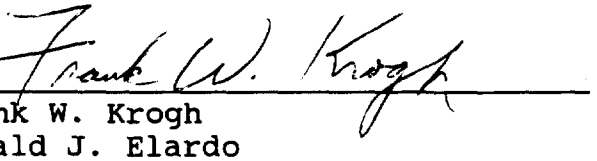
Thus, in no event could SNET file interexchange tariffs on one day's notice, since that would not allow sufficient time for the Commission to fulfill its statutory requirements under Section 201 of the Communications Act. The analysis required by the imputation rule therefore would effectively preclude complete nondominant status for SNET or any other LEC in-region interexchange service.

CONCLUSION

For the reasons explained above, the Commission should defer any review of, or action on, SNET's Petition until the Commission concludes its review of the Competitive Carrier criteria, the BOC Out-of-Region proceeding and any general LEC forbearance proceeding under the new legislation. If, however, the Commission were to address the Petition on the merits, it would have to be denied on account of SNET's continuing local bottleneck control and incentive to use that power in an anticompetitive manner.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

By: 

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